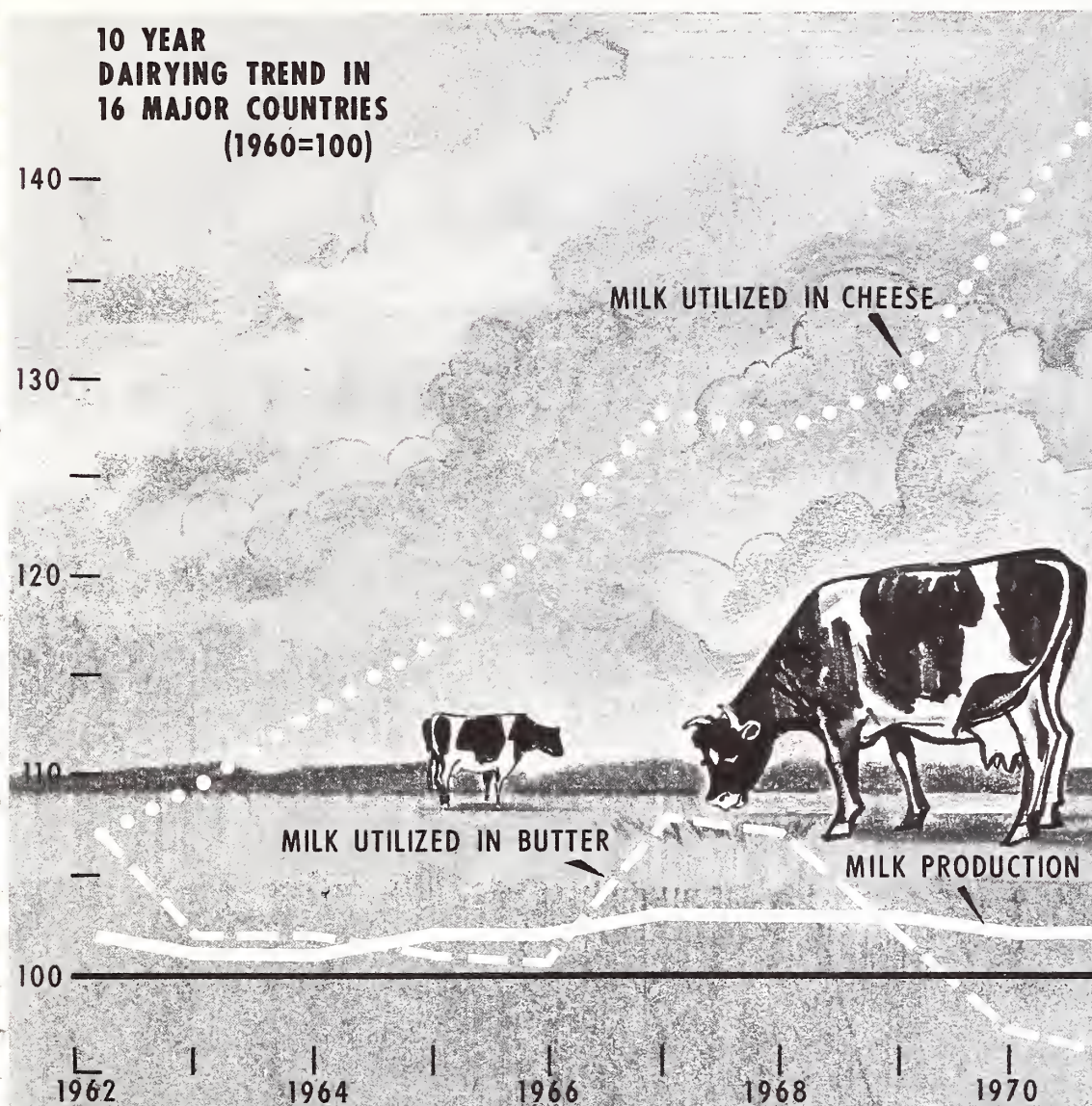


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FOREIGN AGRICULTURE

April 10, 1972



**Forward Crop Contracting
Up in U.S. Cotton Sales**

World Dairy Situation Tight

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. X • No. 15 • April 10, 1972

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This week's cover:

Shown in graphic form are three indicators of the state of world dairying during the past 10 years. The soaring line at top is cheese production; in the center is the "butter mountain" that forced world prices down during the sixties; at bottom is the relatively level course of world milk production. Currently, the supply situation is tight (see article beginning page 4).

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, \$10.00 domestic, \$13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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Nearly One-Third of the 1972 U.S. Cotton Crop Already Sold by Contract

By A. C. ROBISON

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and

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Foreign Agricultural Service

With cotton supplies at low levels this year, textile manufacturers and other foreign and domestic buyers are placing unprecedented emphasis on forward contracting of new-crop U.S. cotton—thus reducing the amounts usually available later in the season. By the end of January, about 31 percent of the anticipated 1972 U.S. cotton crop had already been sold, according to estimates made by the Agricultural Marketing Service's Cotton Division field personnel.

Forward contracting, which allows a producer to sell his crop before it is harvested, was not widely practiced until 1971. This type of marketing guarantees the producer's income while assuring the buyer's supply. Most contracts have the following features:

- A cutoff date for delivery, usually December 1–15. Some

PERCENT OF U.S. COTTON CROP UNDER CONTRACT

State	1970	1971		1972
		Thru April	Total	Thru January
North Carolina	—	—	4	8
South Carolina	—	—	20	38
Georgia	—	—	6	5
Alabama	—	—	48	38
Total Southeast	8	13	28	25
Missouri	—	—	75	80
Mississippi	—	—	69	68
Arkansas	—	—	73	77
Louisiana	—	—	26	43
Tennessee	—	—	20	28
Total South Central ..	17	45	59	64
Oklahoma	—	—	7	2
Texas	—	—	39	11
Total Southwest	7	3	37	10
New Mexico	—	—	8	0
Arizona	—	—	19	30
California	—	—	28	33
Total West	6	18	23	28
Total U.S.	11	20	43	31

contracts specify first-picked cotton only.

- A below-grade clause, which either rejects or discounts cotton below a specified quality.

- A clause specifying a discount for "reduction" cotton—cotton reduced in grade because it is mixed with grass, bark, or other extraneous matter.

- A micronaire discount schedule for cotton measured outside the 3.5 to 4.9 range.

In addition, contract prices paid to a producer range from "hog round" prices for the entire crop to specific prices for each quality of cotton produced.

Contracting in 1972. Contracting of the 1972 cotton crop began in the South Central area of the Cotton Belt in early November 1971, with prices around 27–28 cents per pound. By mid-January, prices had advanced to 30–31 cents per pound. At the end of January, an estimated two-thirds of the 1972 crop had been contracted in this area.

In the Southeastern area, contracting started in mid-December 1971, with prices around 29 cents per pound. As marketing activity increased in late December, prices rose to around 30 cents per pound. By the end of January, about a quarter of the crop in this area had been contracted.

Some contracting started in the San Joaquin Valley of California in mid-October 1971, with prices at 31.00 cents per pound (basis Middling 1-3/32



inch). The price rose to 33.50 cents by the end of January, when about 28 percent of the crop had been sold.

Contracting in Texas and Oklahoma began in late January and only about 10 percent of the 1972 crop had been sold by the first of February. However, most of these sales occurred in the Rio Grande Valley, where an estimated two-thirds of the crop had already been sold. Prices in the Valley have ranged from 30 to 35 cents per pound.

Contracting in 1971. About 43 percent of the 1971 U.S. cotton crop was contracted for sale by producers before the crop was harvested. This new method of marketing was most ac-

cepted in the South Central area, where nearly 60 percent of the crop was contracted. In the Southeastern area, about 28 percent was contracted; in the Southwestern area, 37 percent; and in the Western area, 23 percent.

Contracting began in the early spring of 1971, with prices at about 22–23 cents per pound. By April, contractors were active in the South Central area and were beginning in many other areas of the Cotton Belt. At this time, prices had risen to about 24–24½ cents per pound. By May 1, 1971, an estimated 20 percent of the total 1971 crop had been contracted.

Contracting activities slowed in mid-May when an active futures market advanced prices to a new seasonal high; however, contracting resumed during the summer when contract prices advanced to about 28 cents per pound. Contracting finally began in the High Plains of Texas in September, with prices about 25–26 cents per pound, and continued until mid-November.

Comparisons of contracting activities and prices in 1971 and 1972 are presented in the accompanying tables.

Why contracting? While forward contracting has been practiced to a limited extent in other years, the amount of cotton merchandised under this system in 1971–72 and the volume already committed for 1972–73 are unprecedented. This upsurge of interest in forward contracting appears to result from the convergence of two interests.

Cotton producers are reluctant to carry the price risk which exists under
(Continued on page 16)

CONTRACT PRICES FOR U.S. COTTON

State	1971		1972	
	Range	Mostly	Range	Mostly
North Carolina	23.50-28.00	—	30.00-31.00	—
South Carolina	23.50-28.00	—	28.00-31.25	30.00
Georgia	23.00-23.50	—	28.00-30.00	—
Alabama	23.00-28.50	—	28.00-30.25	30.00
Total Southeast	23.00-26.00	—	28.00-31.25	30.00
Missouri	23.00-28.20	—	26.50-30.00	28.00
Mississippi	22.00-28.25	—	27.00-31.00	28.00-30.00
Arkansas	22.00-28.60	24.00-26.00	27.00-31.00	29.50
Louisiana	22.00-28.25	—	27.50-30.25	29.75
Tennessee	21.50-28.00	24.00-25.00	26.00-31.00	28.00-30.00
Total South Central.	21.50-28.25	24.00-26.00	26.00-31.00	28.00-30.00
Oklahoma	19.50-22.50	—	28.00-30.00	—
Texas	18.50-28.00	—	26.50-35.00	—
Total Southwest	18.50-28.00	—	26.50-35.00	—
New Mexico	—	—	—	—
Arizona	25.00-30.50	26.00-26.50	29.50-32.50	30.00
California	25.00-32.00	26.00-29.00	28.00-33.65	32.50-33.00
Total West	25.00-30.50	—	28.00-33.65	30.00-33.00

World Supply of Dairy Products Tight in 1971 but Expected To Ease In 1972

By SAMUEL L. CROCKETT
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Foreign Agricultural Service

In 1971, world milk production was largely static for the third successive year—in sharp contrast with the 2-percent annual gain of the 1960's. World prices of butter, cheese, and nonfat dry milk were at near-record levels, in token of a tight supply situation for all three products.

The European Community (EC) took action to discourage exports of butter and nonfat; the United Kingdom relaxed restraints on imports of butter and cheese; and the United States—the only country still holding sizable butter stocks—moved to fill the "butter gap" in the United Kingdom and a number of other importing countries.

Indications are that 1972 will see some rise in milk output and hence some easing of the supply situation. Repetition of the dairy surpluses that burdened the 1960's is not, however, considered a strong possibility.

The Milk Story

Milk production rose only about 0.7 percent during 1971. Of the world's three largest producing areas—North America, the European Community, and the USSR—the first and third showed gains of around 1 percent, while in the EC only France and the Netherlands reported increases. In Oceania, a 5-percent recovery by New Zealand from the drought-reduced level of 1970 was largely wiped out by a decline in Australia, leaving these two important dairy exporting countries a total milk increase of only 1.3 percent.

Based on preliminary 1971 data (for the fourth quarter, mainly estimates), the pattern of world milk utilization changed little from that of 1970. Consumption of fluid milk remained relatively unchanged; more manufacturing milk continued to go into cheese and less into butter.

For 1972, all indications point to some increase in world milk production. For example, New Zealand is continuing its recovery, and winter weather in most of Europe has not been nearly so severe as it sometimes is. Also, with improved dairying conditions, a number of European countries have deemphasized their programs for reducing dairy cow numbers; feed supplies are ample; and in the EC a higher price for milk is assured to producers for the coming dairy marketing year (the target price is expected to be about \$5.10 per cwt. at farm).

The combined effects of an increased supply and static—possibly reduced—demand for dairy products may bring on some weakness in world prices during the months to come, but certainly prices are not likely to fall back to the depressed levels of the late 1960's.

The Butter Story

The butter production situation in 1971 resembled that of milk. Preliminary data show no gain in world output—a slight loss, in fact—with production off in all major areas except the USSR, the United States, and Eastern Europe. New Zealand's butter production recovered only about 3 percent from the sharply reduced level of 1970, instead of the substantial recovery predicted early in 1971. Australia's drop exceeded New Zealand's gain, pushing total Oceania butter availability down.

The United States, with large stocks on hand, supplied CCC-owned butter to Britain and some other countries under a limited export sales program. The shipments to Britain—first since the mid-1960's—were made possible when the British suspended their butter import quota system and opened their market to all suppliers. Despite the extended dock strike, butter exports from the United States during 1971 totaled about 90 million pounds, most of which went to the U.K. market.

In 1972—given normal weather conditions in the world's major dairying areas, and with world market prices for

bulk butter hovering around the London Provision Exchange level of 64 to 65 cents per pound—the tight world butter supply situation is likely to ease significantly before midyear. More butter will be produced in the first half of this year than last. Also, the unprecedentedly high prices now being paid in the United Kingdom will continue to limit consumption in that butter market—the world's biggest. With the market now open through January 1973, stocks will accumulate during the flush season, and price pressure possibly will relax somewhat.

The EC. With Europe's butter stocks greatly reduced at the beginning of 1971 and no gain in output during the year, the EC had little or no opportunity to replenish stocks. Higher prices pushed consumption down somewhat, but probably not much more than population increases held it up. Thus, the year ended about as it began, with heavy upward pressure on prices.

Since mid-January 1972, there have been signs that this pressure is abating somewhat. Some of the larger milk supply that is expected will go into cheese, but cheese plant facilities do have limits. Any substantial increase in milk output will have to flow partly into butter. Thus, with the winter months now past, Europe will again be producing butter in excess of commercial market demand.

Last year, to prevent large outshipments and possible internal shortages, the EC abolished its export subsidy on bulk butter to third countries. Now, with the flush season at hand and with prospects for milk production gains in most EC countries, the export subsidy has recently been reintroduced. In the light of the EC's very moderate beginning stocks, however—about 334 million pounds compared with 395 million in 1971—it appears likely that this move was simply preparatory for the spring flush and not designed to place any large volume of butter on the export market at the moment.

With the present subsidy of 18 cents per pound, an EC exporter could put his butter at national border points for a price of around 63 to 64 cents (the support price of 80.8 cents minus the subsidy). New Zealand butter is now selling at about that price wholesale in assured markets such as London. Thus, it does not appear that the EC could expect to move any large quantity of

BUTTER PRODUCTION IN MAJOR DAIRYING AREAS

Region	1970 Million pounds	1971 ¹ Million pounds
North America:		
United States ..	1,141	1,152
Canada	331	302
Total	1,472	1,454
South America, total	222	² 215
Western Europe:		
European		
Community:	2,837	2,756
Other	1,167	1,128
Total	4,004	3,884
Eastern Europe, total	1,091	² 1,107
USSR	2,123	2,188
Oceania	962	960
Total	9,874	9,808

¹ Preliminary. ² Partially estimated.

CHEESE PRODUCTION IN MAJOR DAIRYING AREAS

Region	1970 Million pounds	1971 ¹ Million pounds
North America:		
United States ..	2,202	2,370
Canada	212	228
Total	2,414	2,598
South America, total	695	² 750
Western Europe:		
European		
Community .	3,766	3,900
Other	1,584	1,658
Total	5,350	5,558
Eastern Europe, total	1,164	² 1,150
USSR	1,054	1,060
Oceania	400	405
Total	11,077	11,521

¹ Preliminary. ² Partially estimated.

butter outside the Community.

The EC does no doubt plan to supply some butter to third countries in 1972—France, to customary markets like Algeria and Morocco; the Netherlands, to southern Europe and the Near East. When and if EC butter stocks threaten to pile up, the subsidy will probably be increased, but certainly the EC hopes to avoid the recurrence of surpluses like those of the late 1960's.

Prospects for avoiding such surpluses are reasonably favorable. There is considerable evidence that fluid milk consumption can be increased. Also, there are no indications that the trend toward ever-increasing use of milk for cheese is about to be halted. Thus, it is entirely possible that by holding butter prices near long-established levels and maintaining butter consumption somewhere near the relatively high level of recent years, the EC might avoid the accumulation of another "butter mountain."

The United Kingdom. Early 1971 estimates of the impact of sharply higher prices on U.K. market offtake of butter appear to have been overstated. In May 1971, after two successive price rises for Commonwealth butters on the London Provision Exchange (from 35 cents per lb. to 45), U.K. trade sources estimated that offtake in the second quarter would be down by 12 percent. Then, from June 1 to the end of December 1971, there were five further increases, and the price jumped to 59 cents. The

upward trend of prices continued throughout 1971.

Reflecting the cumulative impact of these ever-rising prices, the rate of offtake in the fourth quarter was down by a little over 10 percent. Yet preliminary data for the whole year show U.K. butter consumption totaling about 970 million pounds, off only 8 percent from the 1,060 million consumed in 1970.

It remains to be seen just how the United Kingdom plans to continue aligning its butter marketing and pricing policy with that of the original six EC countries. While the difficulty of price policy adjustment may be more imagined than real, it is doubtful whether U.K. butter consumption can be maintained at the traditional high level of around 20 pounds per capita if butter prices in the United Kingdom continue to be pushed much above the present high levels. Perhaps butter pricing policies may undergo some adjustments in the near future in both the United Kingdom and the EC.

In February 1973, the British will apply the EC's Common Agricultural Policy (CAP), with its threshold price and levy scheme, to imports of both butter and cheese. The CAP system for milk products other than butter and cheese had been introduced in Britain on July 1, 1971.

With butter prices at or near record levels both in the United Kingdom and in other European countries, demand

will surely continue to trend downward in 1972. An upsurge in European butter production would permit rapid replenishment of stocks for the winter months, and demand for butter from North America would come to a virtual halt. This situation could, however, be altered by a radical change in any one of a number of European countries—for example, France, the Netherlands, Germany (East or West), the United Kingdom, or possibly even Ireland.

Weather remains a crucial factor in New Zealand and Australia, where in recent years drought has played havoc with the dairy industry. A shortfall in that region's butter production could lead to renewed demand for U.S. butter in foreign markets later in 1971.

The Cheese Story

The long-term world trend toward higher cheese production continued through 1971. This trend has been in evidence for a decade, but that fact was not generally recognized during the years of rising milk production and large butter surpluses.

Now, however, after 3 years of stable milk production in nearly every major dairying area, cheese production still continues to gain. This is happening even in some countries where less milk is being produced—notably Australia, Canada, Belgium, and Denmark.

The boom in cheese production, in the face of higher prices for butter and nonfat dry milk, appears a clear sign that the long-term increase in the flow of manufacturing milk into cheese has been due to expanding consumer de-

COW'S MILK PRODUCTION IN MAJOR DAIRYING AREAS

Area	1970 Million pounds	1971 ¹ Million pounds
North America ..	146,515	147,365
South America ..	35,470	36,112
Economic		
Community ...	161,504	162,009
Other		
Western Europe.	92,352	92,635
Eastern Europe ..	72,268	72,446
USSR	167,990	169,700
Japan	10,500	10,710
Oceania	30,025	30,404
Total	716,624	721,381

¹ Preliminary.

mand for cheese and not merely to larger milk supplies.

Reflecting this continued strong demand, and the current competition of other products for manufacturing milk as well, cheese prices in recent months have been trending upward rather sharply on most markets. In the United Kingdom, whole Cheddar cheese (New Zealand, 40-lb. blocks) nearly doubled in price between December 1969 and December 1971; and in 1971, the United Kingdom strove to expand supplies by suspending its program of voluntary restraints on imports of Cheddar and Cheddar-type cheeses.

Thus far in 1972, with no sharp change in the basic cheese situation, prices appear to be holding firm.

The Nonfat Milk Story

The world market for nonfat, like that for butter, underwent a sharp reversal in 1971. Years of burdensome surpluses in Europe and disastrously low export prices had finally energized interested parties to negotiate an international agreement via the General Agreement on Tariffs and Trade (GATT).

This agreement—beginning in May 1970—placed a floor of \$20 per 100 kilograms (about 9 cents per lb.) on

nonfat dry milk moving in international trade. The agreement applied only to product for food uses. Actually, the price of nonfat had begun to strengthen before the agreement came into force, but the real surge in nonfat prices took place in 1971.

The change began during 1970. At the close of that year, EC stocks of nonfat in intervention agency hands totaled only 230 million pounds, down some 535 million pounds from the 1969 year-end figure. New Zealand's exportable supply of nonfat in 1970 was sharply reduced because of lower milk production, and early in 1971 New Zealand raised its export price from 13 cents per pound to 19 cents. In May 1971, the GATT international agreement minimum price was raised from \$20 per 100 kilograms to \$25 (about 11 cents per lb.).

Also in May 1971, the EC discontinued its export subsidy of 5 cents per pound. However, EC traders had apparently fixed export subsidies in advance (as EC regulations permit them to do for a period of up to 6 months) on sizable quantities of nonfat, and product continued to move out of the Community during the first half of 1971.

In the fall of 1971, fearing a serious shortage of milk powder before another

flush production season arrived, the EC levied an export tax on shipments of nonfat to third country markets. Initially, the tax was fixed at US\$10 per 100 kilograms (4.50 cents per lb.). Later it was doubled.

Currently, the market for nonfat dry milk is extremely tight. The New Zealand export price stands at about 29 cents per pound f.o.b. Wellington. Domestic market prices in Europe are well above the current intervention level of 21.3 cents per pound.

European trade sources maintain that the supply shortage in that area has

(Continued on page 13)

MONTHLY NONFAT DRY MILK PRICES IN SELECTED COUNTRIES

Year and month	New Zealand ¹	Peru ²	Canada ³
	Cents per lb.	Cents per lb.	Cents per lb.
1969:			
Jan. ..	8.01	10.43	18.96
Feb. ..	8.01	10.43	18.96
Mar. ..	7.75	10.43	18.96
Apr. ..	7.75	9.55	18.96
May ..	7.75	9.53	18.96
June ..	7.50	9.55	18.96
July ..	7.25	9.55	18.96
Aug. ..	7.25	9.60	18.96
Sept. ..	7.25	10.75	18.96
Oct. ..	7.25	9.55	18.96
Nov. ..	7.25	9.16	18.96
Dec. ..	7.50	9.75	18.96
1970:			
Jan. ..	8.25	9.75	18.96
Feb. ..	9.07	11.06	18.96
Mar. ..	9.07	11.06	18.96
Apr. ..	9.07	11.06	18.96
May ..	9.07	12.25	18.96
June ..	9.07	12.25	18.96
July ..	9.07	12.25	18.96
Aug. ..	9.07	12.25	18.96
Sept. ..	11.25	12.25	18.96
Oct. ..	11.50	14.61	18.96
Nov. ..	13.40	14.83	20.22
Dec. ..	13.40	15.13	20.22
1971:			
Jan. ..	13.40	15.13	20.22
Feb. ..	14.46	15.13	24.00
Mar. ..	14.46	15.13	24.00
Apr. ..	16.08	17.45	24.00
May ..	18.75	23.24	24.00
June ..	21.42	27.94	24.00
July ..	21.42	27.94	26.00
Aug. ..	21.42	27.94	26.00
Sept. ..	23.77	28.51	26.00
Oct. ..	25.36	28.51	26.00
Nov. ..	28.80	—	29.00
Dec. ..	28.80	—	29.00

¹ F.o.b. export price. ² C.i.f. price, Lima. ³ Wholesale price.

WHOLESALE PRICES OF BUTTER¹ IN REPRESENTATIVE EUROPEAN COUNTRIES

Year and month	France	West Germany	Denmark	U.K. ²
	Cents per lb.	Cents per lb.	Cents per lb.	Cents per lb.
1969:				
July ..	75.3	74.8	44.3	32.1
Oct. ..	75.3	76.5	50.2	32.1
Dec. ..	75.3	81.7	54.0	32.1
1970:				
Jan. ..	75.3	81.7	56.3	32.1
Apr. ..	78.2	81.7	56.5	32.1
July ..	78.5	81.7	56.5	34.0
Oct. ..	78.2	81.7	56.7	34.7
Dec. ..	79.5	82.1	56.7	35.3
1971:				
Jan. ..	81.4	82.4	55.4	35.3
Apr. ..	84.4	85.0	55.4	40.0
July ..	87.2	85.5	56.7	51.2
Oct. ..	87.5	85.0	64.5	³ 54.8
Dec. ..	87.5	85.0	—	³ 58.2

¹ All Grade A equivalent or Finest Quality. ² Commonwealth butters. ³ Deflated to reflect real changes in product prices.

WHOLESALE PRICES OF CHEESE¹ IN REPRESENTATIVE EUROPEAN COUNTRIES

Year and month	France	West Germany	New Zealand	Netherlands
	Cents per lb.	Cents per lb.	Cents per lb.	Cents per lb.
1969:				
July ..	—	—	24.2	23.4
Oct. ..	—	—	25.5	25.0
Dec. ..	59.3	66.3	25.5	25.0
1970:				
Jan. ..	62.6	66.5	25.5	25.1
Apr. ..	64.6	67.0	25.5	25.1
July ..	63.5	66.0	27.6	27.8
Oct. ..	60.3	65.9	29.3	30.0
Dec. ..	59.5	65.9	31.4	33.2
1971:				
Jan. ..	59.7	65.9	31.4	35.8
Apr. ..	60.6	67.8	31.4	36.5
July ..	62.2	68.8	33.9	39.5
Oct. ..	64.4	69.0	² 44.4	² 49.9
Dec. ..	67.9	67.9	² 48.4	² 51.2

¹ Emmental and/or Cheddar in all markets. ² Deflated to reflect real changes in product prices.

Nontariff Barriers Cut U.S. Trade In Agricultural Products With Sweden

By KERRY REYNOLDS
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Foreign Agricultural Service

U.S. agricultural exports to Sweden have shown only modest increases over the past 5 years for several reasons. First, Sweden controls imports by means of various nontariff barriers (NTB's) which consist primarily of a supplementary import levy system, and restrictive licensing. A few products are also limited by health and sanitary restrictions, import calendars, and state trading.

These make Sweden a relatively restricted market for many U.S. products. While Sweden's regular customs duties on most agricultural products are quite low—for example, duty-free treatment for meats, grains, dairy products, oilseeds, and vegetable oils—the supplementary import charges are quite substantial in many cases.

Second, since Sweden joined the European Free Trade Association in 1960, Sweden's intra-EFTA trade has accelerated at a much faster rate than its trade with the United States. Although there are few EFTA preferences on agricultural products, such preferences do exist for: ice cream and pudding mixes; cream or milk substitutes; preparations containing eggs, milk, or cream; egg albumen; and certain starch products. Finally, Sweden has made no tariff concessions in the General Agreement on Tariffs and Trade (GATT) on any of the major grains or oilseeds.

As a result of these restrictions, the United States is a negligible supplier to Sweden of grains, oilseeds, and livestock products. The major U.S. agricultural export items to this market are unmanufactured tobacco, fruits and fruit products, and cotton.

Here are the principal import control devices.

First in series of country studies on nontariff barriers hampering U.S. agricultural trade with our major trading partners.

Supplementary import charges. Sweden employs an extensive system of supplementary import charges which are assessed in addition to the regular tariffs. Operating primarily in the meat, grain, dairy, and fats and oils sectors, these levies serve to protect Sweden's domestic production and at the same time provide a source of revenue to help subsidize Sweden's exports of these commodities.

The levies are subject to continuous review and change depending on domestic and world price levels for the products involved and variations in the consumer price indexes. The current 3-year agricultural agreement between the Swedish Government and the domestic farmers' organizations provides for increased prices to producers as of July 1, 1971, 1972, and 1973. In addition, the agreement's so-called inflation rule provides for upward adjustments as of January 1, 1972, 1973, and 1974 to offset inflation to the extent that the consumer price index has increased since the last adjustment.

A series of changes under the present agricultural agreement and the preceding one has resulted in sharp increases

in many import charges during recent years. Significant increases have been made within the past year for beef, powdered milk, vegetable oils, corn, and turkey rolls.

For most farm products, these levies are generally charged according to the net weight of the imported item (for instance, so many kronur per kilogram), rather than its landed value in relation to the domestic price. Therefore, not all imports of a particular product are raised to the same price level by the import charge. However, although this system may retain a would-be exporter's price competitiveness vis-a-vis other exporters, the levy itself may be so high that the exporter cannot compete with Swedish producers of the same or substitute products. For example, the supplementary fee on corn imports currently is \$66 per metric ton.

In a few cases EFTA countries are exempt from the import charges and on certain products (fats and oils) these levies are also assessed on domestic output.

Import calendar. This is a device to prohibit imports of given commodities at certain times of the year. Sweden prohibits the entry of fresh apples and pears during the time when most of the domestic production is being marketed. This restricted season usually begins in July for both fruits and ends in November for pears and December for apples.

Licensing. In addition to licensing applied for health and sanitary reasons and for regulation of trade with Eastern European and other countries under bilateral trade agreements, Sweden maintains a formal licensing procedure for

(Continued on page 13)

AVERAGE U.S. SHARE OF SWEDEN'S IMPORT MARKET, 1965-68

Share	Commodity ¹
More than 90 percent	Raisins, <u>potato flakes and flour</u>
50-90 percent	Corn, dried fruit, fruit and vegetable juices, dried vegetables, <u>unmanufactured tobacco</u> , soybeans, cotton and fish oil
25-50 percent	Edible meat offal, rice, baby and dietetic food, grapefruit, nuts, canned fruit, <u>peas and beans</u> , fatty alcohols
10-25 percent	<u>Pears</u> , frozen vegetables, sauces and flavorings, yeast and baking powder, cigarettes, fats and oils, glycerine
Less than 10 percent	<u>Canned meat, cheese, wheat, cereal foods, apples, grapes, berries, tomatoes, fresh vegetables, canned vegetables, oilcakes and meal, cigars, peanuts</u>

¹ Items underlined are on NTB list.



Market Development Boosts Sales of U.S. Citrus in Europe and Japan

By R. L. HANLIN
*Market Development Project Coordinator
 California-Arizona Citrus League*

More than a quarter of California-Arizona citrus is marketed outside the United States, and delivered export sales are in the neighborhood of \$120 million per year.

The Common Market countries and Japan are the two principal overseas markets for California-Arizona citrus, and the marketing situation could hardly be more diverse.

In Europe, per capita consumption of

Based on a speech by Mr. Hanlin before the 50th Agricultural Outlook Conference, Washington, D.C., February 23, 1972. The California-Arizona Citrus League cooperates with the Foreign Agricultural Service in market development activities.

citrus is quite high. Consumers are generally well informed about citrus and its uses. The markets are perhaps the most competitive in the world. Spain, Israel, Morocco, and South Africa are all large producers of citrus. They are relatively close to the European markets; their production and transport costs are less; and they have no home market of consequence. Therefore, they consider Europe to be their primary market.

California-Arizona citrus shipments to Europe tend to be seasonal. Marketing conditions became even more severe 2 years ago when the European Economic Community granted tariff preferences of 80 percent to Morocco and Tunisia, and 40 percent to Spain and Israel.

In Japan, the situation is virtually reversed. Importation of all citrus fruit was under quota restrictions until 1964, when lemon trade was liberalized, and in June 1971, grapefruit was removed from restriction. Oranges remain under quota.

Therefore, the vast majority of our trade so far with Japan involves lemons. We ship substantial quantities the year around. California-Arizona lemons have at least a 95-percent market share, so competition is not a significant factor. However, until 1964, the Japanese were almost completely unfamiliar with lemons and the market for this commodity was totally undeveloped.

As a result of the great differences in the characteristics between the Euro-

pean and Japanese markets, different market development strategies have been necessary.

First, let us look at the programs and objectives for Europe. If our formidable competition in Europe were to suddenly abandon the market, the California-Arizona Citrus Industry could not meet the demand. Our supply potential is not that large. Our need and objective is to secure about a 10-percent share of the total annual market for citrus in Europe. In view of our high costs and the nature of our fruit, our target is to preempt the demand for top-quality fruit, which secures a premium price.

To accomplish this, it is, of course, vital that high-quality fruit be delivered. The maintenance of a quality control inspector in Europe to assure trade satisfaction has been part of our market development program since its conception.

Considering our marketing situation in Europe, our promotional programs now concentrate on the retail trade, with special emphasis on the rapidly emerging supermarket chains.

Our fruit has always performed well in small shops. The shopkeeper who buys two or three cartons at a time, perhaps one day's supply, is not concerned about paying a premium price, nor is he concerned about the shelf life of the product. He personally recommends the quality of the fruit to his customers, and secures a profit commensurate to that which he would earn if he had purchased lower quality, less expensive fruit.

The supermarket chain which buys supplies sufficient for 1 or 2 weeks in quantities of several thousand cartons is faced with a price differential for premium-quality fruit of some thousands of dollars. And since prepackaging is prevalent in supermarkets, one spoiled piece of fruit equals one spoiled package. Multiply that risk by many thousands of packages and you can see that shelf life becomes a very critical factor. Produce buyers of supermarket chains reason that since California-Arizona citrus has endured a long journey prior to arrival in Europe, its shelf life would be shorter than competitive fruit.

Our promotional programs are designed to convince supermarket operators that handling our high-quality citrus will produce consumer satisfaction and profit margins commensurate with those on competitive fruit; and that

promotion will produce rapid turnover and minimize shelf life problems. To meet these objectives we have used several promotional techniques.

There are two strategies which have recently been successful; trade team visits and retail incentive promotions.

In the trade team program, the most important purchasers of citrus in each country are invited to visit the California-Arizona citrus industry for a 10-day period. These men are almost always experts on citrus and, in most cases, they have previously visited competitive citrus industries. We know that cultural practices, packing methods, and quality-control standards are advanced in California and Arizona, and we benefit by comparison.

The team members are afforded an opportunity to explore supply and sales programs with California-Arizona citrus officials, and we have the opportunity to become better acquainted with these important customers.

An example of the possible results occurred in 1971, when trade teams from Belgium and France visited California under provisions of our market development project. Our sales to the five French supermarket chains represented on the trade team increased to Fr4.6 million, a 233-percent gain. An investment of \$4,000 in project funds for travel of those particular five men was therefore instrumental in pro-

ducing a sales increase of nearly \$700,000 in just one season.

This past February we concluded a trade team visit of 11 important citrus buyers from the Netherlands, representing 80 percent of their country's citrus purchasing power. We are very hopeful that this visit will bring similar results.

Last year, for the first time, we employed a new promotional technique in Europe which we call a Retailer Performance Incentive Contract. This provides retailers with payments of up to 24 cents per carton of citrus purchased during a 2-week promotional period, if the retailer features California-Arizona citrus in his regular weekly advertising and builds mass sales displays in each store, using display materials which we provide.

During a 2-week period in June 1971, when the market for citrus was depressed and we were having difficulty in establishing demand for our fruit, this type of promotion in just 2 weeks in two supermarket chains in Belgium resulted in the sale of 25,000 cartons of our citrus. Some 50,000 cartons were sold through five chain store groups in France.

Our import agents have informed us that in addition to the direct promotional sales, the interest stimulated by this program permitted them to maintain prices on the fruit sold outside of promotion by up to 35 cents per carton;

Top left, Hiroshima department store executives sample California grapefruit; below, quality U.S. fruit sells well in small European markets.



consequently, promotional expenditure of 24 cents per carton on 20 percent of our volume not only accounted for the direct sale of 75,000 cartons, but also helped realize a better price on the remaining 80 percent of supply.

That is the sort of arithmetic we like, and retailer performance incentives will be an important part of our 1972 campaign. It is also important to note that the chain stores which participated in these promotions had previously been represented on trade team visits to California.

During the past 2 years, because of the discriminatory actions of the Common Market and heavy increases in the supply of competitive citrus, European market conditions have been adverse, and it is surprising that we have maintained a market there. Consequently, we are rather proud of the results I have just described. The project-supported programs to ease and eliminate trade barriers, fruit quality inspection, and sales promotion have clearly demonstrated their value.

As a result of vigorous opposition from the California-Arizona Citrus League and the U.S. Government, it appears that the Common Market will lower tariffs on oranges for a 4-month period. When this is coupled with the revision of currency exchange rates, which will tend to make our fruit less expensive in Europe, we are confident that our project programs will yield even better results in 1972.

By virtually any marketing standards, the introduction of California-Arizona lemons to Japan has been a great success.

Until 1964 when the Japanese Government removed import restrictions on lemons, the small volume of lemons which had moved into Japan under quota had been utilized primarily in the institutional field. Our first market development action following liberalization was to conduct a thorough consumer usage study. The results indicated that eight out of 10 people in Japan had never tasted a lemon, and substantial numbers had never seen one. So with a rather ancient natural commodity, we faced what amounted to a new-product introduction.

In the formulation of promotional plans, two factors unique to the Japanese market strongly influenced the direction of our program: Lemons were not previously available to the average

Japanese household and consumers possessed little or no knowledge of how to use them; and California-Arizona shippers faced almost no competition. Consequently, our campaigns for the first several years were directed toward consumer education.

These campaigns were very fundamental in nature. We used spot television advertising, magazine advertising, demonstration and sampling programs in supermarkets and department stores, and the inclusion of lemon presentations in cooking schools and housewives' classes in the major cities of Japan.

The messages were quite simple; for example, how to cut lemon wedges; add a little lemon juice in black tea to improve the flavor; lemons can be squeezed over fish, meats, and salad; how to make lemonade; and how to use lemons for beauty care.,

The objective of these campaigns was to change the lemon from a luxury food item to a common food item. The programs were very successful, and by 1968, the market had grown from 250,000 cartons per year to 2 million cartons.

Market studies were conducted again in 1969. These revealed that Tokyo and Osaka and their surrounding communities, which represent 43 percent of the Japanese population, accounted for 81 percent of lemon consumption. The per capita consumption of lemons in those two regions already exceeded the average in the United States.

Also revealed was that use of lemons in the secondary population centers is as much as 25 times smaller than in the major centers.

Therefore, 2 years ago we started a long-term project to develop lemon usage in the secondary population centers. This is being done through saturation television campaigns using local stations, and simultaneous sales promotion events in the major department stores and supermarkets in the targeted areas. Because we cannot cover all of the secondary markets in Japan at one time, two or three regions are selected for special action each year.

To date the results have been gratifying. For example, last year a special sales promotion program was conducted in Sapporo for 1 month. Compared to a base sales measurement, there was a sales increase of 830 percent during the promotion, and a post-promotion meas-

urement taken some weeks later indicated that lemon sales continued at a rate 117 percent above the base period.

Presuming that these results can be multiplied as we cover all of the secondary population centers in Japan, we are projecting that by 1975, 5 million cartons of California-Arizona lemons will be consumed annually. This would be in comparison to the record sales achieved during 1971 of 3.4 million.

On June 30, 1971, the Japanese Government announced the long-awaited liberalization of grapefruit imports. The position of grapefruit with Japanese consumers is precisely the same as with lemons in 1964. So we are starting again with a fundamental educational campaign to show the Japanese people how to eat a grapefruit.

Our campaign emphasizes such features as the fact that grapefruit should be cut through the equator rather than through the poles; how to separate the meat from the peel; and the fact that you can add a little sugar.

We are utilizing spot television, transit and magazine advertising, and an intensive campaign of in-store demonstration and sampling. Under quota restriction we had been able to market about 65,000 cartons of grapefruit per year in Japan. We are projecting that during 1972 more than 1 million cartons of California-Arizona grapefruit will be consumed in Japan.

Oranges still remain under quota restriction in Japan. We are, however, currently exploring the possibility of more liberal trade conditions for oranges.

One might conclude, therefore, that:

- Careful and accurate analysis of the marketing situation is fundamental to the success of any market development program.

- Successful tactics in one market may not be appropriate for another. Each requires a strategy designed for that specific situation.

- In sum, these market development projects based on the combined efforts of industry and government deserve a substantial measure of credit for the success of U.S. agriculture overseas.

Even so, promotion is not the sum and substance of market development. Many other factors are fundamental and vital to overseas marketing such as our programs to maintain equitable market access regulations, and the development of sales distribution and shipping systems.

India's Oilseed Output High—Exports Expected To Fall, While Imports Jump



Soybean seed multiplication at a State Mechanized Farm in Rajasthan, India.

Despite drought-induced reductions in the outturn of peanuts and sesame seed, India's 1971-72 oilseed and copra output approximates the previous year's high level, while exports of oilseed products—particularly peanut meal—are expected to be somewhat less. But a slight increase in per capita consumption of vegetable oils, a population growth of some 12 million a year, and the war-induced influx of millions of refugees, may result in larger imports—particularly of Canadian rapeseed.

Total 1971-72 oilseed and copra output is estimated at 12.2 million metric tons, about the same as in 1970-71, but appreciably higher than the 10.9 million tons in 1969-70.

Heavy premonsoon showers fell throughout India in 1971, and the seasonal storms broke earlier than usual. Except for a few regions, precipitation was widespread in early June, enabling farmers to start planting in advance of the regular time.

But drought in Maharashtra and Andhra Pradesh during late June and July considerably reduced area planted to peanuts and sesameseed in these States, although increases elsewhere resulted in a total area about the same or slightly larger than that of 1970-71.

Production. The latest estimate is for a 1971-72 Indian peanut crop of some 5.5 million metric tons, compared with 6.1 million the previous year. Earlier estimates had the crop at about 5.8 million metric tons.

Production of sesameseed also suffered from lack of moisture and output is believed to have fallen from 568,000 tons in 1970-71 to 525,000 tons in the current season.

Cottonseed production is currently estimated at 2.1 million tons, compared with 1.9 million tons in 1970-71. Crushing of cottonseed for oil has until recently stagnated at around 40 percent of total seed production.

Outturn of safflowerseed is also expected to rise—possibly reaching as much as 300,000 tons, compared with 200,000 tons last season.

Increases of various magnitudes are forecast in the outturns of copra, rapeseed and mustardseed, flaxseed, and castorseed—all to be harvested during February-April 1972.

Production trends. In recent years India has been trying to develop high yielding, quick maturing, drought resistant oilseed varieties to reduce the country's imports of these commodities. However, these efforts—concentrated largely on soybeans, sunflowerseeds, and certain minor seeds of tree origin—are expected to have no immediate effect on oilseed availabilities.

The United Nation's Children's Fund has been collaborating with the Government of India in an effort to establish a 100 ton-a-day soybean solvent extraction plant. If there are no serious obstacles, the plant could be operational in about 3 years.

Several American firms have considered entering into an agreement with the Indian Government to establish a processing plant to produce soy flour for food fortification. They hesitate to build a large plant without an assured supply of soybeans. And producers are reluctant to go into production until they are certain they can sell their product at an equitable price.

Indian scientists believe that with an assured market soybean production would increase sharply, but they expect that for the next 5 years domestically produced soybeans will have only a limited impact on India's vegetable oil and protein deficiencies.

Research centers are also testing several varieties of sunflowers which, like soybeans, would be a new crop for the Indian farmer.

The Indian Planning Commission has agreed to make funds available to facili-

tate oilseed production research. Nonetheless, extensive successful production of sunflowers in India is some years away.

Attention is also being given to the development of minor oilseeds of tree origin for use in soap making. Because of the cost of collecting these oilseeds, however, the Indian trade believes that there will be little increase in their utilization.

Exports. Indian sales of oilseeds and products for the first 3 months of 1971 (the latest figure available) were valued at \$27 million compared with \$23.6 million during the corresponding period a year ago.

Of the 13,866 tons of oilseeds exported during this period, 13,791 tons were shelled peanuts; the remaining 75 tons were mustardseed, nigerseed, and sesameseed. About 72 percent of the peanut exports went to Communist bloc countries, 24 percent to Western Europe, and the remaining 4 percent to other countries.

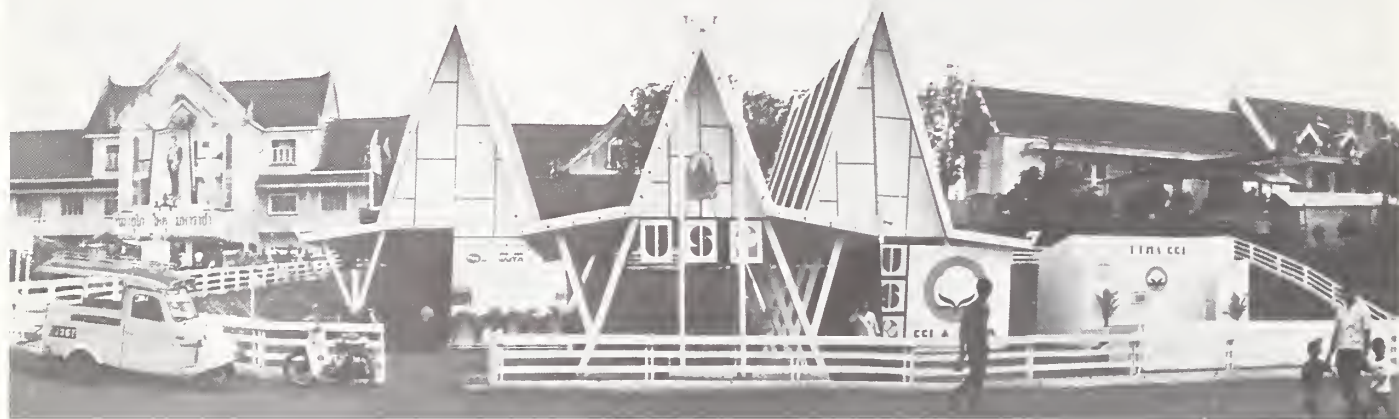
During this period, shipments of castor oil, the only item of importance among India's exports of vegetable oils, totaled 4,555 tons and were almost all to the USSR, compared with 5,307 tons sent to the Soviet Union during the same period a year ago.

India's exports of cake and meal in the first 3-month period of 1971 totaled 231,048 tons, compared with 212,481 tons during the same period last year. Total cake and meal exports are expected to be some 650,000 tons in 1971, or about 5,000 tons less than the

(Continued on page 16)

Thailand's Trang Fair

Features U.S. Exhibit



The town of Trang is located in the southernmost part of Thailand, on the Malay Peninsula, about 70 miles from Thailand's border with Malaysia.

In early December the farmers and villagers from the countryside come to Trang to sell the major part of their cash crop, latex rubber. During this time, Trang holds its annual fair.

For the first time, an American exhibit—sponsored by the U.S. Agricultural Attaché and by several cooperators from both the United States and Thailand—was part of the fair. These exhibitors set to work to publicize the fair: radio and TV tapes were produced and broadcast; in both public appearances and newspaper interviews, local officials encouraged people to visit Trang during the time of the fair, December 5 to 15.

The U.S. exhibit displayed three main types of goods: wheat and cotton products and high-quality cattle.

The wheat products exhibit featured 21 local girls who were trained to demonstrate sandwich and doughnut making—a novelty in an area where rice is the major grain.

Besides these demonstrations, cooking classes—featuring wheat products—were held twice daily for local school girls. These classes proved to be so popular that the wife of the Governor of the Province requested a special class for wives of local businessmen.

In addition, other exhibits included continuous showings of films on wheat and wheat products (with commentaries in the Thai language). Recipes and booklets printed in Thai were also dis-

tributed throughout the fair.

The cotton exhibit included a display which depicted the history, production, ginning, and milling of U.S. cotton. Two demonstrators equipped with sewing machines gave continuous demonstrations of cutting patterns and sewing clothes, and gave their finished work to viewers as gifts. Another booth contained a complete top-of-the-line exhibit of U.S. cotton materials.

Perhaps the most popular part of the U.S. exhibit was a fashion show, which was held each evening. The fashions, which were created by a Thai designer from U.S. cotton material, included over a hundred dresses, pant suits, hats, and carrying bags. These were modeled by eight local girls under the guidance of a professional model from Bangkok. These 2-hour shows drew capacity crowds each evening.

The livestock exhibit included eight U.S. purebred cattle—four Brahman and four Santa Gertrudis. They were housed in outdoor pens where they could be easily seen by the large crowds which visited them continuously. Pamphlets printed in Thai explained how these breeds, which are raised in the southern part of the United States, could adapt to a tropical climate.

Thais are particularly interested in grazing cattle on the grass which grows between rubber plants on the extensive rubber plantations which dominate this region. Such an arrangement would help to diversify the local economy, while providing a source of meat protein for the local diet.

The cattle on display were sold at

auction on the final day of the fair—the first purebred cattle sale ever held in Southeast Asia. A 2-year-old Brahman bull brought a record price of US\$2,380.

Swedes Say Farm Support Causes Higher Food Prices

Sweden's current high food prices—largely resulting from the country's agricultural support program—have put farm organization spokesmen on the defensive and have brought suggestions from food processors and merchants that the cost of the scheme be financed through higher taxation rather than passed on directly to the consumer.

Farmer spokesmen would probably welcome removal of an 18-percent value-added tax on food and perhaps would not object if an alternative means could be found to finance the further increases in prices of farm products provided for in the 1971-74 agricultural support legislation.

The merchants and processors pointed out that the support program has driven food prices so high that consumers are now generally buying the very cheapest and least nourishing foods.

Since the general price freeze was lifted on January 1, 1972, food prices have risen by 2.5 percent. Prices of all consumer goods have risen less—by just 1 percent. Of the 2.5 percent increase in food prices, more than half can be attributed to the effect of the agricultural price support program.

Swedish Barriers

(Continued from page 7)

some agricultural products from Western Hemisphere countries. These are apples and pears, sugar, pork, horse-meat, poultry, processed milk and cream, eggs, and starch.

State trading. The state-owned tobacco company is still the sole manufacturer and importer of leaf tobacco, despite Sweden's official termination of state trading in tobacco at the end of 1966.

Other barriers. The commodities covered by the supplementary import levy system also are covered by regulations that permit quantitative restrictions and mixing regulations to be applied under certain conditions, but these have not been used in recent years.

Swedish health and sanitary regulations restrict imports of live poultry and swine, uncooked poultry meat, most red meats, and lard. The regulations on live animals are designed primarily to protect domestic industries from introduction of diseases. Sweden also does not allow the marketing of meat from animals fed growth hormones.

Sweden has made no important liberalization of NTB's or reductions in import charges in recent years. However, there have been several duty increases and barrier extensions:

- The agricultural price agreement for 1971-74 raised the supplementary import charges for several products important to Swedish agriculture, chiefly meat and dairy products, effective July 1, 1971. The import taxes generally rose 6 to 9 percent on meats, 14 to 16 percent on dry milk, and 26 percent on fats and oils.

Similar increases had been made July 1, 1969, for such products as beef and pork, soy flour, milk and cream substitutes, and certain mixed products intended for food preparations.

The latest increase (Jan. 1, 1972) had more modest "adjustments," except for corn, which increased 23 percent, compared with the previous July 1 rate.

- The supplemental charge on over 50 percent soy protein concentrate (BTN 21.07) was increased from about 7 cents per pound to about 31 cents July 1, 1969, but a year later Sweden agreed to reduce it to 18 cents after a series of representations by the U.S. Government and U.S. trade interests. However, the charges remain suffi-

ciently high to preclude U.S. exports to Sweden for this particular category.

- Beginning September 1, 1970, Sweden prohibited the importation of meat and meat products (except poultry) unless the meat is officially certified by the exporting country as being derived from animals not fed with growth-stimulating hormones.

The United States is not an important factor in the Swedish import market in several commodities in which it should be most competitive. These are grains, soybean products, and fresh fruits—all of them protected by nontariff barriers.

Of greatest concern to U.S. agricultural exporters is Sweden's far-reaching supplementary import charge system. This levy is particularly damaging to U.S. exports of grain (except rice) and soybean products.

U.S. shipments of grains are restricted to modest amounts of corn and to rice, which is not under the tax and in which the United States supplies 35-45 percent of the import market.

Sweden's high import charges on grains serve two purposes: To protect domestic producers of wheat, barley, rye, oats, and rapeseed; and to finance export subsidies for domestically produced grain surpluses. As a matter of fact, subsidized Swedish wheat and feedgrains frequently compete with U.S. exports in Europe and elsewhere.

Supplementary charges on meat serve the same purposes, and Sweden's protected meat industry generates domestic surpluses, which are marketed in third countries with the aid of export subsidies. Should the health and sanitary prohibitions on meat imports be lifted, U.S. meats would still face the supplementary charges.

The supplementary charge on soy protein concentrate continues to restrict U.S. export potential for this product.

Three major trade barriers besides supplementary charges are particularly harmful to U.S. interests:

- The prohibition of beef and beef products produced with the aid of growth-producing hormones, which has shut out U.S. beef from Sweden. The United States is in no position to certify (as required by Swedish regulations) that its beef exports are derived from animals not fed with such hormones. U.S. authorities have argued that present scientific methods are accurate in determining whether hormone residues

exist in meat, but Sweden continues the ban. However, they have agreed to accept cow livers—with the certification that they are only from lactating cows of dairy breeds (not feedlot fed).

- The prohibition of poultry imports from countries which have Newcastle disease, which limits U.S. poultry exports to cooked products, including turkey items.

- The import calendars on fresh apples and pears, which not only keep U.S. imports out when they would be most competitive, but also lack predetermined, fixed opening dates for the import season, a further hindrance to trade. The U.S. share of the import market for apples and pears (particularly pears) indicates that increased U.S. sales to Sweden might be possible with a longer market season. Earlier opening dates were announced for the 1971-72 season—from November 3 to June 30 for pears and from December 20 to June 30 for apples.

Finally, should preferential tariff treatment for agricultural products be included in any trade agreement between Sweden and the European Community, this could have an adverse effect on U.S. farm sales to Sweden.

World Dairy Supply

(Continued from page 6)

been due in part to the withholding of available supplies by processors and traders in anticipation of a higher nonfat intervention price for the dairy year beginning on April 1. The current market price for nonfat in the EC is around 26 cents per pound. It seems unlikely that significant quantities of product would be held off the market at this price.

A higher support price for nonfat in the EC could, however, create new problems for the Community. The 1971-72 support price of 21.3 cents per pound minus the feed subsidy of 5.9 cents per pound is considered already too high to make feeding of calves for veal a profitable activity. The primary use for nonfat in Europe has always been animal feed, not human food. If the product is priced out of this vast market, stocks will again accumulate, and the world price of nonfat might well revert to a level somewhere between the international agreement price of 11 cents per pound and the current world market level of about 29 cents.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	April 5	Change from previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 1 CWRS-14 ..	1.97	-1	1.99
USSR SKS-14	1.85	-1	1.98
Australian FAQ	(²)	(²)	1.86
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	-3	1.99
15 percent	1.96	-2	2.03
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	-2	2.01
No. 3 Hard Amber Durum ..	1.81	-4	1.91
Argentine	(²)	(²)	(²)
U.S. No. 2 Soft Red Winter..	(²)	(²)	1.77
Feedgrains:			
U.S. No. 3 Yellow corn	1.43	0	1.68
Argentine Plate corn	1.68	+1	1.69
U.S. No. 2 sorghum	1.50	0	1.44
Argentine-Granifero sorghum	1.51	-1	1.44
U.S. No. 3 Feed barley	1.23	+1	1.43
Soybeans:			
U.S. No. 2 Yellow	(²)	(²)	3.30
EC import levies:			
Wheat ¹	1.67	+3	1.51
Corn ⁵	1.12	+2	.89
Sorghum ⁵	1.07	+4	1.02

¹ Manitoba No. 2. ² Not quoted. ³ Durum has a separate levy.

⁴ Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. ⁵ Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Japan Announces Additional Pulse Import Quota

On March 6, Japan's Ministry of International Trade and Industry (MITI) announced a second import quota for pulses for the Japanese marketing year 1972 (October 1971-September 1972). The announced quota amounted to US\$9.8 million and brought total allocations to date to \$23.1 million. (A \$13.3-million quota was announced in November 1971.)

The quota is on a global basis and is allocated for the importation of the four different categories of pulses: Azuki beans, \$5.9 million; kidney-type beans, \$1.8 million; dried peas, \$1.4 million; broad beans, \$0.7 million.

In accordance with the Japanese Government's policy, the amount allocated for Azuki beans can be used to purchase other pulses; however, the amount allocated for each of the other three categories may not be transferred.

The announcement of the final portion of the JMY 1972 quota is expected to be made in July or August.

World Rye Production Up Sharply in 1971

World rye production is estimated at 28.7 million tons, 14 percent over 1970 and the largest crop since 1968. Poland, West Germany, and the United States were chief gainers.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report*.

RYE PRODUCTION IN SPECIFIED AREAS		
Area	1970	1971
	1,000 metric tons	1,000 metric tons
Canada	570	629
United States	986	1,294
Western Europe	4,589	5,205
Eastern Europe	7,722	10,201
USSR	10,400	10,200
Others	801	1,150
World total	25,068	28,679

Record World Wheat Crop in 1971

World wheat production in 1971 is estimated at 314 million tons, 9 percent over 1970 and 2 percent above the previous record in 1968. Good weather favored larger outturns in all regions except the Soviet Union.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report*.

WHEAT PRODUCTION IN SPECIFIED AREAS		
Area	1970	1971
	1,000 metric tons	1,000 metric tons
Canada	9,023	14,253
United States	37,291	44,620
South America	7,983	8,882
Western Europe	43,716	50,587
Eastern Europe	22,935	29,705
USSR	80,000	75,000
Africa	7,403	7,981
Asia	69,114	71,756
Australia	7,890	8,453
Others	2,558	2,403
World total	287,913	313,640

World Corn Production Up 15 Percent

World corn production in 1971 is estimated at 289 million tons, 15 percent above 1970 and 12 percent over the previous record of 1969. The biggest gains were in the United States and Romania, following poor seasons in 1970.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report*.

CORN PRODUCTION IN SELECTED AREAS

Area	1970	1971
	<i>1,000 metric tons</i>	<i>1,000 metric tons</i>
United States	104,131	140,728
Argentina	9,930	6,000
Brazil	13,500	14,500
Western Europe	16,246	17,233
Eastern Europe	20,370	22,883
USSR	7,500	8,100
South Africa	8,582	9,100
Others	71,313	70,035
World total	251,572	288,579

FATS, OILS, AND OILSEEDS

Taiwan Trade Mission Goes To Brazil for Soybeans

The Board of Foreign Trade of Taiwan's Ministry of Economic Affairs has ordered the Taiwan Vegetable Oil Association (TVOA) to organize a trade team (scheduled to depart by Mar. 20) for negotiating the purchase of 100,000 metric tons of soybeans from Brazil.

If the mission is successful, shipment would take place during July, August, and September 1972. The TVOA reported unfavorable experience on past imports of Brazilian soybeans because of high moisture and low oil content. Reportedly, the arrangement would be canceled if Brazil recognizes the Mainland China Government before shipments of the soybeans are concluded.

Japan Moves Toward Trade Liberalization

Japan's House of Representatives passed a bill on March 15 which would eliminate import duties on soybeans, rapeseed, safflowerseed, soybean meal, beef tallow, and mutton tallow beginning April 1. The House of Councilors has yet to act on the bill; however, no delay in passage is expected.

It is significant that the lower House also adopted a companion resolution which recommended that the Japanese Government continue studying means to reduce Japan's tariff and nontariff barriers to trade, as well as urging other countries to take reciprocal action.

SUGAR AND TROPICAL PRODUCTS

Pakistan's Punjab Province Reports Sugar Shortage

A shortfall in the recent sugarcane harvest in Pakistan's Province of Punjab has caused a shortage of sugar and a rise in prices. This may lead to the importation of sugar to meet internal demand.

The decrease in cane production was due to drought during the 1971 growing season. Some mills are turning out sugar at slightly less than 80 percent of last year's production. West Pakistan, in the past several years, has produced approximately 600,000 metric tons of centrifugal sugar annually, with the Province of Punjab accounting for 70-75 percent of this output.

Up to the first week of February 1972, the Government of Punjab had been procuring 55 percent of the total sugar produced by the 11 mills in the Province, for distribution through the ration shops. In order to increase the amount of sugar available in the open market, the Punjab Government now allows the mills to retain 50 percent of their production for sale in this market.

DAIRY AND POULTRY

U.K. Continues Open Licensing For Butter Imports

According to an announcement by the United Kingdom's Minister of Trade, the quota system for butter imports will continue to be supplemented by open licensing from all sources except Southern Rhodesia during the period beginning April 1, 1972.

Individual country quota allocations will continue at the same level as in 1971-72. In March 1971, the total import quota for the year 1971-72 was fixed at 420,000 long tons. From February 1, 1973, these arrangements will be superseded by the application of the Common Agricultural Policy for dairy products of the enlarged EC.

For near-butters, substances containing butterfat, and ghee, specific licenses supplementary to global quotas also will continue to be issued freely. Global quotas for near-butters and substances containing butterfat for 1971-72 were 12,000 tons and for ghee, 1,000 tons.

Butter cold storage stocks in the United Kingdom on March 3 were provisionally estimated at 62,100 tons (139 million lb.), 6,500 tons more than a week earlier and substantially larger than the stocks of 40,400 tons (90 million lb.) held on March 5, 1971.

FRUITS, NUTS, AND VEGETABLES

Spanish Table Olive Estimate Revised

Adverse weather and severe insect infestation have combined to reduce Spain's 1971 table olive crop. Industry sources now place the 1971 crop at 90,000 short tons, 10 percent below earlier estimates but well above 1970's 60,000 tons.

Quality and size of the 1971 yield are below average. The pack of exportable varieties is expected to total 77,000 tons: Manzanillas and similar, 33,000 tons; Queens, 27,500; and others, 16,500 tons.

Exports for the 1970-71 marketing year are still placed at 71,600 tons, compared to the 1969-70 total of 66,100 tons. Forecasts call for overseas shipments to total only 60,000 tons during the current season, reflecting the anticipated quality problems. A strong demand for stuffed olives has emerged during the current season, based largely upon the quality guarantee that processors have given on this product.

Additionally, the Spanish Government has revised the method of payment applicable to shipments of table olives to the United States and Canada. In the future, payment will no longer be limited to irrevocable, documentary credit at sight; rather, payment terms customarily used in trade will apply.



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FOREIGN AGRICULTURE

Forward Crop Contracting

(Continued from page 3)

present market conditions, when spot cotton prices are almost 15 cents above the loan level and new crop futures more than 10 cents higher than the loan. This wide range appears to represent the difference between an attractive profit and a serious loss.

Producers could hedge this price risk by using the futures market. However, they are generally unfamiliar with the use of this tool and are reluctant to get involved in the close attention to their interest which is required for proper management of a position in the futures market. Consequently, producers have preferred to shift the price risk to merchants and mills by forward contracting. These parties can in turn protect themselves either by hedging their interests with a position in futures or by sale to another party.

On the other hand, buyers (both merchants and mills) have resorted to forward contracting as a means of insuring a supply of cotton. Offtake (domestic consumption plus exports) has exceeded production in 5 out of the last 6 years. As a result, U.S. stocks at the beginning of 1971-72 were at the lowest level in recent history. Faced with the prospect of literally being unable to buy enough cotton to satisfy their requirements, buyers have increasingly resorted to forward contracting as a way to get cotton produced for them.

Forward contracting has also been facilitated by the freedom of action provided to producers by the Agricultural Act of 1970, which is applicable

to the 1971, 1972, and 1973 crops. Unlike most other recent legislation, this act does not provide acreage limits on cotton production. Consequently, if a producer is offered an attractive price for cotton under a forward contract, he can increase his plantings within the limits of suitable land, machinery, labor, and other production requirements available to him. Forward contracting also facilitates financing for a cotton crop, since it fixes the price that will be obtained when the cotton is produced.

One aspect of forward contracting which bears watching closely is the

quality of cotton produced under contracts with few or no specifications as to grade and staple. Since a producer will receive the same price for all cotton produced, at least within certain broad limits, his interest naturally shifts to maximum quantity. It remains to be seen whether or not this type of arrangement will result in cotton of sufficient quality to satisfy the needs of domestic and foreign mills. If not, some adjustment in the terms of forward contracts may be necessary. Experience with "hog round" contracts indicates they do not encourage growers to produce quality cotton.

India's Oilseed Output High

(Continued from page 11)

previous year.

Communist bloc countries—except for the Soviet Union—are taking more Indian cake and meal than in previous years; and a larger quantity of peanut meal and cottonseed cake and meal is expected to be shipped to East European countries in 1971-72 compared to 1 year earlier.

Exports of peanut meal to Eastern Europe in the mid-1960's were much larger than those in 1970. The sharp decline in India's deliveries of peanut meal to Hungary, Czechoslovakia, and East Germany precipitated their making larger purchases of U.S. soybean meal in 1970.

Imports. India received about 95,000 tons of Canadian rapeseed in 1971, in-

cluding some 9,000 tons under the Canadian food aid program. There are reports that India and Canada are negotiating for rapeseed shipments totaling another 300,000 tons. Such shipments may be partly under aid programs and partly on concessional terms.

According to the Indian Government, \$8.1 million worth of oilseeds and oilseed products were imported between January and March of 1971, compared with slightly under \$4 million during the same period one year earlier.

During fiscal 1971, about 74,000 tons of U.S. soybean oil arrived in India with another 8,000 tons afloat.

—Based on a dispatch by

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